

HOUSE FINANCE COMMITTEE

April 6, 2021

1:36 p.m.

1:36:19 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

Representative Ben Carpenter

ALSO PRESENT

Ashley Carrick, Staff, Representative Adam Wool; Ken Alper, Staff, Representative Adam Wool; Seth Whitten, Staff, Representative Bryce Edgmon; Caroline Hamp, Staff, Representative Dan Ortiz; Liz Harpold, Staff, Representative Dan Ortiz; Catherine Reardon, Staff, Representative Andy Josephson.

SUMMARY

HB 69 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 69 was HEARD and HELD in committee for further consideration.

HB 71 APPROP: MENTAL HEALTH BUDGET

HB 71 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb69

#hb71

HOUSE BILL NO. 69

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making reappropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 71

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making supplemental appropriations; and providing for an effective date."

[1:37:01 PM](#)

^SUBCOMMITTEE CLOSE-OUT REPORTS

[1:37:07 PM](#)

Co-Chair Foster indicated the committee would begin with the Department of Administration (DOA) subcommittee close-out report.

ASHLEY CARRICK, STAFF, REPRESENTATIVE ADAM WOOL, read the subcommittee close-out report for the Department of Administration:

The House Finance Budget Subcommittee for the Department of Administration submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$67,420.4

Designated General Funds (DGF) \$27,091.6
Other Funds \$188,991.3
Federal Funds \$1,309.4
Total \$284,812.7

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is an increment \$1,200.0 of Unrestricted General Funds, which is 1.8 percent above the FY 22 Adjusted Base. The total budget difference for the Department of Administration from FY 22 Adjusted Base to the House Subcommittee Budget including Unrestricted General Funds, Designated General Funds, Federal Funds, and Other Funds is a reduction of \$11,921.3, which is 4.0 percent below the FY 22 Adjusted Base.

Positions:

Permanent Full-time 1,210
Permanent Part-time 17
Temporary 32
Total 1259

Budget Action:

The House Finance Budget Subcommittee for the Department of Administration reviewed the FY 22 budget request as well as one member-proposed amendment, and recommends the following actions (dollars are in thousands):

Accept the Office of the Governor's budget proposal, with the following highlights and one additional amendment:

- Accept the Governor's proposals impacting the new Office of Procurement and Property Management. This includes adding inter-agency receipt authority of \$5,977.0, as well as \$200.0 in Surplus Federal Property Revolving Fund.
- Accept the Governor's proposal to eliminate the statewide single audit contract with the Division of Legislative Audit totaling \$450.0 in Unrestricted General Funds.
- Accept the Governor's proposed one-time Unrestricted General Fund increment of \$1,650.0 to maintain the bi-weekly payroll transition.

- Accept the Governor's proposed decrements to the Information Services Fund totaling \$15,198.7 due to savings in the Office of Information Technology.
- Denied the Governor's proposed reduction in Risk Management of \$3,000.0 inter-agency receipt authority. This decrement should be reflected in the House Bill 102 fiscal note. The Governor also proposed conditional language that was accepted to allow interagency receipts to carry forward into FY 22.
- Denied the Governor's proposed increment in the Public Defender Agency for \$86.0 of Mental Health Trust Reserve funds on the grounds that the use of these funds was not initially approved by the Mental Health Trust Board of Trustees.
- Denied the Governor's proposed decrement in the Alaska Public Offices Commission for \$29.0 Unrestricted General Fund and the deletion of one Law Office Assistant I.
- Denied the Governor's proposed reduction in the Office of Public Advocacy for \$854.4 in Unrestricted General Fund. This proposal requires legislation for statute change.
- Denied the Governor's proposed closure of six Division of Motor Vehicles offices and six permanent full-time customer service representative positions totaling \$582.5 in General Fund Program Receipt authority. These offices are located in Eagle River, Tok, Valdez, Homer, Haines, and Delta Junction.
- Accept a member amendment to decrement \$264.2 in inter-agency receipt authority to eliminate the Office of Enterprise Analytics and the associated two permanent full-time positions.

Ms. Carrick concluded her report and made herself available for questions.

Co-Chair Foster spoke to undesignated general funds (UGF) only. He commented that DOA was up by \$1.2 million, but it was not because of any subcommittee member amendments. It was due to accepting some of the governor's increments and decrements which had a net gain of \$1.2 million. He asked if he was correct. Ms. Carrick responded that he was correct.

Representative Wool noted that the proposed one-time UGF increment of \$1.65 million for the bi-weekly payroll

transition was a large part of the increase Co-Chair Foster mentioned. Co-Chair Foster appreciated the clarification.

1:42:30 PM

Ms. Carrick continued to the budget subcommittee report for the Department of Labor and Workforce Development (DOL). She read the report:

The House Finance Budget Subcommittee for Labor and Workforce Development submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$17,725.3
Designated General Funds (DGF) \$38,899.7
Other Funds \$17,416.4
Federal Funds \$77,480.8
Total \$151,522.2

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is a decrement at \$1,000.3 of Unrestricted General Funds, which is 5.3 percent below the FY 21 Adjusted Base. This UGF reduction is accounted for via adoption of the following budget items (dollars are in thousands):

- Decrement in Commissioner's office to reduce commodities expenditures and split funding for Executive Secretary III (-57.2 UGF)
- Decrement in Alaska Labor Relations Agency to reduce travel, office space costs, and commodities and expenditures due to administrative efficiencies (-60.4 UGF)
- Decrement in Management Services to reduce authority no longer needed for Shared Services of Alaska chargeback (-66.9 UGF)
- Decrement in Data Processing to reduce general fund support for IT services due to business process realignment (-29.6 UGF)
- Decrement in Labor Market Information to reduce funding by renegotiating federally funded reimbursable service agreements (-123.4 UGF)
- Decrement in Vocational Rehabilitation under the Client Services allocation to decrease general fund

match to client services' basic support Federal grant
(-662.8 GF/Match).

Positions:

Permanent Full-time 661

Permanent Part-time 48

Temporary 26

Total 735

Budget Action:

The House Finance Budget Subcommittee for the Legislature reviewed the FY 22 budget request, including amendments, and recommends the following actions (dollars are in thousands):

Accept the Office of the Governor's budget proposal, with three amendments:

- Deny the decrement of 1 PCN and associated funding (-115.5 UGF) for a Research Analyst III position in the Labor Market Information allocation.
- Deny the decrement of 1 PCN and associated funding (-66.8 UGF) for an Office Assistant II position in the Wage and Hour Administration allocation.
- Deny the decrement of 1 PCN and associated funding (-41.7 UGF) for an Administrative Assistant I position in the Occupational Safety and Health allocation.

Ms. Carrick concluded her report and made herself available for questions.

[1:44:32 PM](#)

Ms. Carrick moved to the University of Alaska (UA) narrative report by the subcommittee. She read from the report:

The House Finance Budget Subcommittee for the University of Alaska submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF) \$272,733.5

Designated General Funds (DGF) \$310,755.0

Other Funds \$75,116.1

Federal Funds \$137,830.5

Total \$795,830.5

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is a decrement of \$4,300.0 of Unrestricted General Funds, which is 1.6 percent below the FY 22 adjusted Base. The total budget difference for the University of Alaska from FY 22 Adjusted Base to the House Subcommittee Budget including Unrestricted General Funds, Designated General Funds, Federal Funds, and other funds is a reduction of \$36,345.0, which is 4.4 percent below the FY 22 Adjusted Base.

Positions:

Permanent Full-time 3,845

Permanent Part-time 186

Temporary 0

Total 4031

Budget Action:

The House Finance Budget Subcommittee for the University reviewed the FY 22 budget request as well as one member-proposed amendment, and recommends the following actions (dollars are in thousands):

Accept the Office of the Governor's budget proposal, with the following highlights and one additional amendment:

- Accept the Governor's proposed \$20,000.0 decrement to the University of Alaska, representing the third year of the decrements outlined in the compact agreement made by the UA Board of Regents and the Governor to take effect between FY 20-FY 22.
- Accept the Governor's proposed decrements in receipt authority including \$17,214.5 in authority to align with anticipated revenue reductions in tuition and fees for FY 22.
- Accept the Governor's proposed decrements in receipt authority including \$4,785.5 to transition the University of Alaska Foundation to a non-profit.
- Accept the Governor's proposed structure change to consolidate all University allocations into a single appropriation.
- Accept an amendment to add \$15,700.0 to the University of Alaska in Unrestricted General Fund. Due

to the COVID-19 pandemic, the University has a net \$15.7 million in lost revenue in FY 21. This amendment restores funding losses that were sustained through the uncertainties of the pandemic last year.

Ms. Carrick concluded her report and was open for questions.

Co-Chair Foster clarified that the net reduction for UGF was about \$4.3 million. He asked about the compact agreement. He wondered if the first year of the 3-year compact was a reduction of \$30 million, the second year was a reduction of \$20 million, and the third year was a reduction of \$20 million.

Representative Wool responded that the first 2 years of the compact was a reduction of \$25 million each and the last year was a reduction of \$20 million. The compact totaled \$70 million in reductions. The legislature added money back resulting in a net reduction of \$4.3 million.

[1:48:44 PM](#)

KEN ALPER, STAFF, REPRESENTATIVE ADAM WOOL, reviewed the subcommittee report for the Department of Revenue (DOR):

The House Finance Budget Subcommittee for the Department of Revenue submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$25,822.7
Designated General Funds (DGF) \$3,781.5
Other Funds \$259,707.5
Federal Funds \$78,998.6
Total \$368,310.3

The Unrestricted General Fund difference from the FY 21 Adjusted Base to the House Subcommittee budget recommendation is a decrease of \$2,041.6 thousand, or 7.3 percent. The All-Funds difference from FY 21 Adjusted Base is a decrease of \$5,888.5 thousand, or 1.6 percent.

Positions:
Permanent Full-time 818

Permanent Part-time 24
Temporary 17
Total 859

This represents a net decrease of two full time positions, reflecting the deletion of three positions and the addition of one new position.

Budget Action:

The House Finance Budget Subcommittee for the Department of Revenue reviewed the FY 22 budget request, including amendments proposed by committee members. They recommend approval of the proposed budget without amendment. However, committee discussion raised several issues that they hope will be addressed by the full Finance Committee and as the budget bills continue to work through the legislative process. These include:

- The Tax Division made a compelling case that additional auditor positions, particularly in the Corporate Income Tax section, can bring in additional revenue through increased audit assessments that greatly exceeds the cost of the new positions. The two new auditors added in FY 2018, which have to date cost about \$700,000, have produced about \$12 million in additional tax assessment. Because the subcommittee did not want to add general funds to the budget, no positions were added at the subcommittee level. However, the finance committee should consider the potential net fiscal benefit of adding one or more auditors to the division.
- There was concern that the Permanent Fund Corporation's incentive compensation program, at the level funded, could potentially be inequitably distributed if the higher-level investment officers receive bonuses at the full allowable level. To maximize the reach of the program, it may be appropriate to limit the size of bonuses to a fixed amount per individual.

Mr. Alper provided some extended narrative on the changes to the budget. The highest-level point after 4 meetings of the subcommittee was that no changes were made to the governor's amended budget. The breakdown of the budget was \$25.8 million UGF, \$3.8 million DGF, \$259.7 million other state funds, and \$79 million federal funds for a total of

\$368.3 million. He clarified that the other state funds number was large and glaring. However, the items making up the category were not unusual. The largest 2 items were the fees from the Alaska Permanent Fund Corporation (APFC) to pay for their own management of their funds and the receipts of the Alaska Housing Finance Corporation (AHFC) including rents that came in that they spent on their own management.

Mr. Alper continued that the general fund number of \$25.8 million was about a \$2 million cut from the previous year. He detailed that of the cuts, only about one-quarter of them were true reductions, and some were in reduced positions. Some of the efficiency was from moving some of their computer servers in the Child Support Division to the Cloud. The other \$1.5 million was a switch from unrestricted general funds (UGF) to designated general funds (DGF) where the Treasury Division was starting to charge fees for the management of some of the funds they controlled - one-tenth of 1 percent or what bankers called 10 basis points for the Power Cost Equalization (PCE) Fund, the Higher Education Fund, and the Public School Fund.

Mr. Alper continued that the total number of positions at DOR was 859, a reduction of 2 from FY 21. It represented 3 cuts and one new position. Although no changes were made from the previous year, there were 2 issues the committee debated at length. The first was the issue of corporate income tax auditors in the Tax Division. He thought the committee might recall 2 new auditors were added to the group in FY 18. Those auditors were on the payroll and had cost the state a total aggregate over 3 years of about \$700,000. He had identified about \$12 million worth of additional audit revenue that the auditors had brought in. Faced with those facts, the subcommittee contemplated adding a couple of new auditors believing they would be of a net fiscal impact to the state finding money that would otherwise be left on the table.

Mr. Alper reported that the second issue had to do with a new program of incentive bonuses that APFC was instituting in the current year for their investment officers. The program was approved in the prior year, although Governor Dunleavy vetoed the addition in the budget. The increment equaled \$900,000. However, the corporation had an algorithm and a formula. Ms. Rodell, the head of APFC, came to Representative Wool's office and talked about the program.

He relayed that they clearly had a plan and a system that the legislature should watch closely as it developed. He was available for questions.

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Representative Josephson asked about the second bullet regarding the incentive program. He wondered if the concern had to do with lower-level investment officers not receiving the full allowable level.

Mr. Alper responded that APFC's formula stated that the senior officers could earn up to 50 percent of their base salaries in incentives. Some of the junior officers could potentially earn bonuses of up to 15 percent to 30 percent of their base salaries depending on the investment category. He suggested that adding up the salaries of investment officers and their maximum allowable bonuses, the bonuses would add up to about \$2.7 million to \$2.8 million. Only \$900,000 was requested for bonuses. There was concern that the money could be monopolized by a handful of senior executives leaving none for the remaining investors. Ms. Rodell clarified that the formula would not allow for such a circumstance. The bonus monies would get spread around. Inherently, the bonuses were skewed to the senior level investors. However, some portion of the bonus monies would go to the lower salaried investors if they met their investment targets.

Representative Wool added that the concern that came up in committee had to do with the amount of investment bonuses which was \$2.7 million initially which changed to \$900 million. If a few people received bonuses between \$100,000 to \$150,000 the \$900 million would be used up. However, Ms. Rodell reviewed the numbers with his office from the previous year. In order for an investment officer to receive a bonus certain benchmarks had to be reached. There was nothing arbitrary or subjective about the plan. Also, based on past performance, not everyone would receive a bonus, as it depended on what fund they managed. Ms. Rodell went through all of the numbers from the previous several years and indicated, if everyone had the same numbers, bonuses would not have reached the \$900,000 mark. There was no risk of bonuses only going to a small number of employees. The structure was primarily set up as a recruitment tool for hiring good investors. Many other

states and private institutions had bonus incentive programs.

Representative LeBon had attempted to put the incentive monies into the budget over the previous 2 budget cycles when he chaired the subcommittee for DOR. The model he suggested was based on private sector businesses. He noted that banking career performance bonuses were very common. They were paid out of profits and higher performance achievements. They were not an expense of the bank at the detriment of anyone else. It was earned by the performers at a higher level of performance return on investment for the bank and, in the current case, for the Alaska Permanent Fund. Bonuses were very common for investors and essentially self-funding. They were based on performance.

Representative Wool added that the bonuses were based on 5-year and yearly averages. The bonus percentage of an individual's salary was predetermined based on their job description. There were only 6 fund managers that were eligible to receive the largest bonuses. Many of them had significant tenure. He continued that because of the nature of the market typically one category might be up while another was down. Hence, it was unlikely the full amount of \$2.7 million in potential bonus payouts would be needed and was the reason for the figure of \$900,000.

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Co-Chair Foster had a question regarding the recommendation of adding 1 or more tax auditors. Since FY 18 the total cost for 2 additional auditors had been about \$700,000. The auditors had paid for themselves by finding additional tax revenue. He thought updated information regarding the average cost of an additional audit position would be helpful in the deliberation process.

Mr. Alper responded that the entry level corporate income tax auditor is a Range 18, Auditor 1. Sometimes a person with additional experience would start as an Auditor 1 at a Range 20. On average the positions would cost the state about \$120,000 per year, per employee. There were amendments proposed and later withdrawn in the subcommittee that would have funded 1 or 2 positions using the numbers he provided from the personnel books.

Co-Chair Foster indicated the committee would move to the subcommittee reports provided by Representative Edgmon.

2:00:08 PM

Representative Edgmon began with the Department of Commerce, Community and Economic Development (DCCED). He gave his report:

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$8,032.0
Designated General Funds (DGF) \$55,418.7
Other Funds \$48,951.3
Federal Funds \$22,181.2
Total \$134,583.2

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is a decrease of \$454.7 thousand of Unrestricted General Funds, which is 5.4 percent below the FY 22 Adjusted Base.

Positions:
Permanent Full-time 514
Permanent Part-time 0
Temporary 5
Total 519

Budget Action:
The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development reviewed the FY 22 budget request and recommends the following actions:

Accept the Office of the Governor's budget proposal, with the following changes:

- Maintain UGF funding within the Community and Regional Affairs allocation for the grant to the Alaska Legal Services Corporation.

- Deny the Governor's proposal to utilize the Power Cost Equalization Endowment Fund to supplant UGF funding for the Alaska Energy Authority Rural Energy Assistance allocation.

Representative Edgmon provided additional narrative to his report. He conveyed that DCCED was a vast department that had seen its UGF levels cut considerably, 83 percent, over the previous 8 years. Of \$134.5 million in funding for the entire agency, a little over \$8 million came from UGF for unrestricted state spending. The department also did a Yeomen's job in terms of work on the Coronavirus Aid, Relief, and Economic Security (CARES) Act over the previous calendar year distributing nearly \$600 million to municipalities as well as playing a large role in the small business relief money.

Representative Edgmon reviewed the subcommittee recommendations. The subcommittee approved the governor's recommendations to increase interagency receipt authority for the annual operations and maintenance costs for the Prescription Drug Monitoring Program. It also approved the governor's desire to transfer the Economic Development Team, 2 staff members from DCCED, into the Governor's Office.

Representative Edgmon reported that the subcommittee denied the governor's request to remove \$450,000 UGF from Alaska Legal Services Corporation. The subcommittee heard from agency staff that the request came from the Office of Budget and Management (OMB). As he looked into the issue, he was told that Alaska Legal Services did an incredible amount of work for low-income people around the state regarding civil cases. For every \$100,000 of funding Alaska Legal Services received, it was able to provide benefits to 182 people which, in turn, alleviated the impact on the criminal justice system. He was happy to provide additional detail to members who were interested. The subcommittee also denied the governor's proposal to transfer \$847,000 from the PCE Endowment, which was not statutorily allowed, to use it for administrative services for the Alaska Energy Authority (AEA).

Co-Chair Foster asked how many pages were in the representative's report.

Representative Edgmon was not going off the subcommittee report, he was looking at his prepared notes.

Co-Chair Foster asked Mr. Whitten if the report was 2 pages.

SETH WHITTEN, STAFF, REPRESENTATIVE BRYCE EDGMON, responded in the affirmative.

Representative Edgmon continued that the subcommittee approved the governor's request to increase federal receipt authority for the Alaska Seafood Marketing Institute (ASMI) and the Alaska Oil and Gas Commission to pursue federal monies. The committee approved the governor's request to add 2 utility master analyst positions to meet the increased workload for the Regulatory Commission of Alaska. He completed his report for DCCED.

Mr. Whitten relayed that the high points were noted in the 2-page narrative in front of members.

Co-Chair Foster asked Representative Edgmon what percentage had been cut from the department in the prior 8 years.

Representative Edgmon reported that the agency had been reduced by 83 percent over the past 8 years.

Vice-Chair Ortiz commented that while most agencies had experienced significant reductions, he did not think any had experienced a greater reduction than DCCED. He asked if there was a sense from the administration whether the agency was needed. He was perplexed with the level of cuts to the department based on all of the good things it did. He questioned whether it was worth keeping the department with such a lack of investment.

Representative Edgmon agreed with Vice-Chair Ortiz's comments. The department was vast and encompassed many different areas. The department relied heavily on federal dollars and revenues from fees.

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Representative LeBon pointed out that the department had not taken a decrease in funding of 83 percent. Rather, the sources of funding had shifted. It was his understanding that the department had not been striped to the bone.

Representative Wool was the chair of the DCCED budget subcommittee in the prior year. He recalled that the Division of Economic Development seemed to be shrinking and some of the positions were slated to move to the Governor's Office. He suggested it was ironic. He wondered if that change was still occurring.

Representative Edgmon indicated that the transfer of 2 positions related to economic development to the governor's office left one staff in the Division of Economic Development within the department. He suggested that most of the economic development activity flowed through the Alaska Industrial Development and Export Authority (AIDEA) through loans and other services. The notion of having staff to do other things related to economic development had changed. The roll had changed based on staff levels.

Representative Josephson indicated that in FY 19 the legislature resisted the movement of the economic development team personnel to the Governor's Office. He wondered about the legislature's hesitancy.

Representative Edgmon deferred to the previous subcommittee chair, Representative Wool.

Representative Wool thought the subcommittee denied a portion of the proposal. He would have to refer to his previous notes. He recalled thinking the positions should remain within the Division of Economic Development.

Vice-Chair Ortiz referred to Representative LeBon's comments about the 83 percent reduction in funds and the change in fund sources. He asked if anyone could speak to the number of positions the department had 5 years prior.

Mr. Whitten reported that as of the FY 21 management plan, there were 525 positions within the department. The governor's budget showed a reduction of 6 positions.

[2:10:42 PM](#)

Representative Edgmon provided his subcommittee close-out report for the Department of Fish and Game (DFG):

The House Finance Budget Subcommittee for the Department of Fish and Game submits the following

recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF) \$50,159.9

Designated General Funds (DGF) \$15,025.5

Other Funds \$69,491.5

Federal Funds \$87,483.2

Total \$222,160.1

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is a decrease of \$783.5 thousand of Unrestricted General Funds, which is 1.5 percent below the FY 22 Adjusted Base.

Positions:

Permanent Full-time 821

Permanent Part-time 601

Temporary 6

Total 1,428

Budget Action:

The House Finance Budget Subcommittee for the Department of Fish and Game reviewed the FY 22 budget request, including amendments, and recommends the following actions:

Accept the Office of the Governor's budget proposal, with the following changes:

- The Subcommittee addressed a projected shortfall in funds appropriated from the Commercial Fisheries Entries Commission by eliminating \$716.5 in hollow receipt authority and supplanting those funds with General Fund Program Receipts generated by Commercial Crew license fees. This is not a long-term fix and the Subcommittee recommends that the full Finance Committee consider how the legislature might begin to better account for direct revenues generated by the commercial fisheries industry through the creation of a funding source that would enable better tracking and help the division more directly fund their activities.
- The Subcommittee generated intent language to require a report detailing the impacts of consolidating allocations within the Commercial Fisheries appropriation.

- The Subcommittee shifted \$66.2 UGF out of the Wildlife Conservation allocation and into the Commercial Fisheries allocation in order to reopen the Wrangell office and fund one permanent full-time position.

Representative Edgmon paraphrased his report. He relayed that DFG was a department that had seen significant reductions in UGF over the prior 10 years equating to a 52 percent reduction. The department was comprised of 25 percent UGF and 75 percent of other, federal, and DGF. The subcommittee held 6 meetings and had a number of recommendations which he would review.

Representative Edgmon reported that the major action taken by the subcommittee was in the Division of Commercial Fisheries, the part of the department that took the lion's share of UGF. The committee approved the governor's request to consolidate all the budget components into a single appropriation line item instead of having appropriations to all of the regional entities around the state. While the regional allocations would be lumped into a single line item (done for efficiency purposes), the regional management structure would remain the same. The department assured the finance subcommittee that the projects the agency undertook would still be available to be tracked and managed on a project level.

Representative Edgmon continued that the subcommittee also addressed a projected shortfall in funds appropriated from the Commercial Fisheries Entry Commission by eliminating hollow receipt authority of \$716,000 and replaced it with funds from the general fund program receipts generated by commercial crew fisheries license fees. The subcommittee approved the governor's request to align budget authority to reflect an expected increase in Pittman and Robertson receipts which was largely tied to an uptick in the sale of guns and ammunition. The subcommittee gave the department more federal receipt authority to bring in more federal dollars that would go towards the wildlife conservation appropriation line item.

Representative Edgmon continued that along with the subcommittee consolidating all of the regional allocations into a single appropriation line item, it also added separate intent language requiring the department to produce a report updating the legislature on the impact of

the consolidation within the commercial fisheries appropriation. Lastly, the subcommittee approved shifting \$62,200 from the wildlife conservation appropriation to the commercial fisheries appropriation to reopen the Wrangell Fish and Game Office at the behest of Representative Ortiz. He concluded his subcommittee report for DFG.

[2:14:06 PM](#)

Representative Edgmon continued to the Department of Corrections (DOC) subcommittee close-out report:

The House Finance Budget Subcommittee for the Department of Corrections submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$341,515.0
Designated General Funds (DGF) \$16,327.4
Other Funds \$21,942.5
Federal Funds \$14,370.6
Total \$394,155.5

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is an increase of \$1,735.7 thousand of Unrestricted General Funds, which is .3 percent above the FY 22 Adjusted Base.

Positions:
Permanent Full-time 2,055
Permanent Part-time 0
Temporary 0
Total 2,055

Budget Action:
The House Finance Budget Subcommittee for the Department of Corrections reviewed the FY 22 budget request, including amendments, and recommends the following actions:

Accept the Office of the Governor's budget proposal, with the following changes:

- Denied the structure change moving the Electronic Monitoring and Community Residential Center

appropriations into the Population Management appropriation.

- Denied the Governor's request to replace \$4,344.9 of unavailable Restorative Justice Funds with an equal amount of general funds in the Physical Health Care allocation. This decrement is not intended to curtail physical healthcare services for inmates, but to true up budgetary needs for the agency.
- Inserted intent language directing the Department to renegotiate contracts with Community Residential Centers to flat rate contracts with the intention of achieving the most cost-effective usage of CRCs.

Representative Edgmon provided a narrative to his report. The Department of Corrections had the fifth largest departmental budget in the amount of \$394 million. the undesignated general fund portion was \$350 million. The department relied mostly on state funding to be operational. The subcommittee recommendations included approving the governor's request to back out \$60 million which, in the previous year, was used for capital expenditures related to the opening of the Palmer Correctional Center. The amount was backed out of the budget because it was not necessary.

Representative Edgmon continued that the subcommittee approved the governor's request to transfer \$14.8 million from the Institutional Director's Office to fund FY 22 operational activities for the Palmer Correctional Center. For the second year the amount was tied to HB 49 [Legislation passed in 2019 regarding crimes, sentencing, drugs, theft, and reporting]. The Palmer Correctional Facility was intended to open later in the current year. However, the project had involved significant funding and a multi-phased process.

Representative Edgmon reported that the subcommittee also approved the governor's request to add funding for crisis recovery centers (CRC), otherwise referred to as halfway houses, and for electronic monitoring. The subcommittee added funding of \$3.9 million UGF for 112 new beds at Parkview CRC in Anchorage. The subcommittee also added \$461,000 for GPS tracking for individuals involved in halfway houses or CRCs. It was viewed as a cost-savings mechanism because people on electronic monitoring had the ability to get healthcare benefits outside of DOC. The

tracking would save money in the long run and allow for better monitoring for people with ankle bracelets.

Representative Edgmon continued that the subcommittee approved a fund source change anticipating an increase in fund available through municipal and federal mandate billing. The subcommittee approved the governor's request to fund 6 healthcare providers who would be utilized at the Palmer Correctional Center. The subcommittee denied the governor's proposed structured change to move the electronic monitoring and CRCs' appropriations back into the population management appropriation allowing for better tracking of the funds being expended for the assigned purposes.

Representative Edgmon indicated that the subcommittee also denied the governor's request to replace \$4.3 million of unavailable restorative justice funds with an equal amount of UGF in the physical health care allocations. He noted that the restorative justice funds were funded by money coming from Permanent Fund Dividends from inmates. The money, in turn, was used to fund the physical health care allocation portion of the department. He explained that because the number of inmates was down in the department there was less PFD monies coming in and truing things up.

Representative Edgmon relayed that lastly the subcommittee inserted intent language directing the department to renegotiate contracts with CRCs from a tiered rate structure to a flat rate contract with the intention of receiving the most cost-effective use of the CRCs encouraging the department to employ a billing rate more commensurate to costs involved with inmates released to CRCs. He concluded his report.

[2:19:37 PM](#)

Co-Chair Foster asked about the recruitment and retention of correctional officers. He wondered if the correctional officers had reached out to the committee to restore the funding. Mr. Whitten responded in the affirmative. The correctional officers of the facilities requested a structural change unrelated to recruitment and retention.

Co-Chair Foster clarified that the correctional officers did not have a request for funding for recruitment and retention, but they reached out about other issues. Mr.

Whitten replied that the correctional officers were concerned with getting correction officers in the recruitment unit. There had been discussions with the department about how to make it happen. They requested a structural change to move PFDs to the population management appropriation enabling correction officers to work in the recruitment unit. However, the structural change was not in the purview of the subcommittee.

Co-Chair Foster relayed that the money was appropriated, but the department ended up using the money for other purposes. Mr. Whitten reported that the department was slow in deploying the recruitment unit. His understanding from documents provided to the subcommittee was that they were moving ahead. He had a report that compared 12/30/2019 to 12/31/2020 showing recruitment results. In 2019 there were 1728 correctional officers and at the end of 2020 there were 1888 correctional officers. There were also increases in adult probation officers, medical mental health professionals, and critical support positions.

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Representative Wool commented that in the prior year the department had asked about setting up a recruitment unit because of the low number of correctional officers, and a significant amount of money was being spent on overtime. The subcommittee appropriated about \$400,000 for positions and for marketing. Once the unit was established, the union for correction officers approached him wanting all corrections officers in the unit. The department indicated that 3 positions would be hired: a manager, an administrative person, and one corrections officer on a temporary basis from 6 months to a year. Different correctional officers would rotate in the position. He wondered if the problem with staffing was really being solved. The unit needed to hire people quickly. He thought the unit was set up at a two-thirds level. He was curious if the recruitment levels and hiring numbers were increasing to ensure proper staffing.

Co-Chair Foster wanted to ensure that the department's needs were being addressed. Mr. Whitten commented that the appropriation in the previous year and the same appropriation in the current year for the recruitment and retention unit was \$738,600.

2:25:10 PM

Representative Rasmussen commented that the subcommittee had learned that a fee could be charged to the CRC residents where the state had a cap with inmates in the general population. It was her intent to work with the department in finding a way to move forward and find some receipt authority for people who were living in the CRCs. She found it alarming that DOC's budget was larger than the University's budget and other important departments. She hoped the legislature could find ways to utilize other funds sources and to eliminate some of the general fund spend. She would like to see the issue discussed in the full House Finance Committee.

Representative Johnson referenced intent language directing the department to renegotiate contracts with the CRCs. She asked if Mr. Whitten had a projection report. She had some information that showed renegotiating the contract would not be a cost savings. She would appreciate any information or projections he had. Mr. Whitten responded that the administrative costs for the CRCs were front loaded. Therefore, if the CRCs were full, the state would pay a cheaper price per individual. However, because the CRCs were not filled, the state paid more for CRCs than the state would under a flat rate contract. He would be happy to get some information to the committee.

2:27:41 PM

Representative LeBon commented about how the lines had crossed with the University of Alaska's budget versus the budget for DOC. He was aware the University did its best to collect revenue from students through tuition. The legislature needed to figure out a way to charge prisoners tuition to be in the prison system. He asked about DFG's position in Wrangell. He wondered if the department had a position on the action which would shift money from the wildlife conservation portion of the budget to support the Wrangell position. He asked for any incite on the issue.

Vice-Chair Ortiz responded that it was not the addition of a position. It was the reversal of closing the Wrangell office. In the previous budget cycle, as chair of the subcommittee, he attempted to restore the office. The governor vetoed it anyway. It represented an action opposed by his constituents in Wrangell. One of the main activities

was hunting for moose on the Stikine River. Presently, with the closure of the Wrangell office, they had to go to Petersburg for moose tags. He further explained that Petersburg was not accessible by road. The issue had been very problematic due to the loss of ferry service and the closure of the Wrangell office. Although he suspected the game division was supportive of the change, his constituents were supportive and had noticed a significant problem.

Representative Wool had a question about visitation with inmates. He wondered if families would be able to visit the incarcerated soon since vaccinations had increased. He returned to the point that DOC's budget had surpassed the University's budget. He returned to his question about visitation and vaccinations. Mr. Whitten was aware that the department had experienced significant challenges with a number of issues surrounding Covid-19 including visitation, isolation, and quarantine. The discussion was not around policy.

Representative Josephson received a phone call on the prior day about officers reporting that the funds the legislature appropriated needed to be in the population management appropriation. The funds could not be properly spent where they were currently housed. He was also informed the department wanted language that would staff the recruitment office with actual corrections officers rather than Department of Safety (DPS) personnel. It was essential in knowing what the work entailed.

Co-Chair Foster indicated the committee would be hearing the subcommittee report for the Department of Education and Early Development.

[2:34:44 PM](#)

CAROLINE HAMP, STAFF, REPRESENTATIVE DAN ORTIZ, read the subcommittee close-out report for the Department of Education and Early Development (DEED):

The House Finance Budget Subcommittee for the Department of Education and Early Development submits the following operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF) \$58,950.2
Designated General Funds (DGF) \$24,285.8
Other Funds \$33,234.5
Federal Funds \$247,182.5
Total \$363,663.3

The total fund difference from FY 22 Adjusted Base to the House Subcommittee budget is -\$1,417.0, or a decrease of 0.4 percent. The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget is -\$11.2, or a decrease of 0.02 percent.

Positions:

Permanent Full-Time 251
Permanent Part-Time 12
Temporary 3
Total 266

Budget Action:

The House Finance Budget Subcommittee for the Department of Education and Early Development reviewed the FY 22 budget requests from the Governor and member amendments, and submits the following actions for consideration:

Governor's Budget Action Items - The subcommittee adopted 32 of the 33 budget action items proposed by the Governor. Rejections and changes are below:

1) The subcommittee adopted the Governor's proposal to use the Mental Health Trust Reserve to fund the Alaska Autism Resource Center. However, there was discussion regarding the funding source, which resulted in an affirmative vote for a recommendation to the House Finance Committee and is expanded under "Recommendations" No.3 below.

2) The subcommittee rejected the Governor's proposal to delete an Education Associate II position (05-1809). The subcommittee recommends that the Department uses those funds of \$109.2 to address the State Board goal to "support all students to read at grade level by the end of third grade" (Education Challenge). More detail is provided under "Wordage Intent" No.2 and "Recommendations" No.4 below:

Wordage Intent:

The subcommittee adopted two member amendments regarding intent language:

- 1) It is the intent of the legislature that federal funds be used to create statewide standards for instruction in social and emotional learning.
- 2) It is the intent of the legislature that a baseline assessment of current practice in Alaska's 53 School Districts, including but not limited to adopted K-3 reading curriculum and assessment tools; Dyslexia screening tools; intervention strategies and timeline; frequency of parent teacher conferences for those students experiencing reading deficits; teacher and staff training offered to support K-3 reading instruction; and number of certified K-3 teachers with reading endorsement. The Department is to provide report of findings to the Finance co-chairs and the Legislative Finance Division on or before December 1, 2021 and notify the Legislature that the report is available.

Recommendations:

The subcommittee adopted four member recommendations:

- 1) The Department of Education and Early Development House Finance Subcommittee recommends that the House Finance Committee consider a \$5,000.0 UGF increment to the Pre-K Grants allocation. The increment provides two-year grant awards to school districts to support statewide Pre-K programs. It is a multi-year appropriation with a lapse date of June 30, 2023 and is a continuation of the Pre-K grant program already housed in the department. It is recommended that it is funded from the FY 21 lapsed funds in the Residential Schools Program allocation due to COVID-19.
- 2) The Department of Education and Early Development House Finance Subcommittee recommends that the House Finance Committee consider a \$635.9 DGF increment to the Library Operations allocation. The increment allows the continuation of Alaska's statewide online library system, including Statewide Library Electronic Doorway (SLED) and the Alaska Library Catalog (ALC). It is recommended that it is funded from the Higher Education Investment Fund (1226).
- 3) The Department of Education and Early Development House Finance Subcommittee recommends that the House Finance Committee work with the Alaska Mental Health

Trust to determine an appropriate funding source for the Alaska Autism Resource Center allocation.

4) The Department of Education and Early Development House Finance Subcommittee recommends that staff and funding be retained, instead of reducing the budget by \$109.2 and 1 PFT, in the State System of Support allocation (budget item No.13) and redirected to the State Board's goal of all students reading at grade level by the end of third grade.

Ms. Hamp concluded the subcommittee close-out report. Representative Ortiz was available to answer any questions.

Representative LeBon asked about an Education Associate II position that was deleted in the budget. Vice-Chair Ortiz clarified that the subcommittee did not accept the governor's recommendation to delete the position.

Representative LeBon asked if the position was filled at the time or vacant. Representative Ortiz recalled that the position was vacant.

Representative Josephson was curious about the funding for the Online with Libraries (OWL) program. Ms. Hamp reported that the program was funded in the amount of \$472,400.

Representative Josephson asked about Pre-K funding. Ms. Hamp relayed that there were additional grants to Pre-K for FY 19 and FY 20. There was an additional Pre-K grant that the legislature tried to extend into FY 21. That additional grant was vetoed. Base funding was still available for Pre-K, but was much less than the previous 2 years.

[2:40:26 PM](#)

LIZ HARPOLD, STAFF, REPRESENTATIVE DAN ORTIZ, reviewed the subcommittee report for the Department of Environmental Conservation (DEC):

The House Finance Budget Subcommittee for the Department of Environmental Conservation submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (in thousands of dollars)
Unrestricted General Funds (UGF) \$15,374.6

Designated General Funds (DGF) \$24,627.9
Other Funds \$15,662.1
Federal Funds \$24,499.9
Total \$80,164.5

There is a small decrease in Unrestricted General Fund use from FY 22 Adjusted Base to the FY 22 House Subcommittee budget of \$140.0 which equals a reduction of 0.9 percent.

Positions:

Permanent Full-time 472
Permanent Part-time 0
Temporary 1
Total 473

Budget Action:

The House Finance Budget Subcommittee for the Department of Environmental Conservation reviewed the FY 22 budget request, including amendments, and took the following actions:

The Governor submitted 9 budget action items. The House Finance Subcommittee accepted 4 of these items. The House Finance Subcommittee rejected 5 of these items. The items the House Finance Subcommittee accepted are:

- To realign usage of State Revolving Loan Fund Admin fees.
- Replace State Revolving Loan Fund administrative fees with Federal receipts.
- Delete three vacant accounting positions and associated funding. The items the House Finance Subcommittee rejected are:
 - Two technical adjustments related to drafting errors.
 - Substituting UGF for CPVEC funds in the division of Environmental Health.
 - Reduce authority, along with 5 PCNs, in the Spill Prevention and Response appropriation.

Subcommittee Amendments:

The House Finance Subcommittee adopted the following budget amendment:

- Intent language: It is the intent of the Legislature that the Department of Environmental Conservation submit to the legislature an execution plan detailing how they will pursue remediation of known sites and prevention of new spills. The report should be submitted to the Co-Chairs of Finance and the Legislative Finance Division by December 1st, 2021.

Ms. Harpold concluded the DEC overview.

Representative Rasmussen reported that in a legal memo the Department of Law noted the use of CPVEC funds for shellfish testing was not legal. She thought she heard Senator Begich testify in subcommittee that he had a legal opinion from Legislative Legal Services confirming that it was not a legal use of funds. She asked Ms. Harpold to provide an explanation. Ms. Harpold deferred to Vice-Chair Ortiz.

Vice-Chair Ortiz responded that the use of CPVEC funds for shellfish testing had occurred for the previous 9 years with the logic being that the funds came directly from cruise ship passengers who were large consumers of shellfish on the vessels. The cruise ship industry had not been opposed to the use of the funds for the particular purpose. The subcommittee chose to reject the proposal to change it to UGF due to the fact that UGF was in short supply. The legal opinion was discussed in subcommittee but had never been challenged in court. It would be up to the full committee to change the funding to UGF.

[2:46:02 PM](#)

Representative Rasmussen wondered how long the legislature intended to pay the testing fee for the related business. She could not think of many industries that were 100 percent subsidized by the state with fees directly related to their business. She understood that initially funding the testing fees was about supporting the start-up of a new business. She wanted to better understand the situation. Vice-Chair Ortiz commented that testing for paralytic poisoning was a protection of the general public.

Representative LeBon asked about the reduction of 5 positions within the Spill Prevention and Response (SPAR) Program. He wondered if the positions were filled or vacant.

Vice-Chair Ortiz thought the positions had been vacant. He asked his staff to comment. He indicated there had been significant discussion about whether the subcommittee should accept the reduction in positions. There had been the elimination of about 12 positions a year previously. The public had expressed concerns about the SPAR Program continuing to operate. There had been testimony indicating there was a significant number of sites that had not received attention from the SPAR team. The subcommittee thought further reductions to the program would not be the right direction for the department.

Representative LeBon did not know the details of the SPAR staff or the vacancies. He was concerned with whether current employees would be affected.

[2:49:59 PM](#)

Representative Josephson commented that because of a reduction in thru-put the contribution to the SPAR coffer was reduced. He was concerned because the department shared tables showing that SPAR funding would drop to zero in the middle of the current decade. He did not think the department had much of a concern about the reduction. The administration believed the resolution to funding SPAR was additional production. He offered that the number of contaminated sites was 2400. He asked Representative Ortiz the status of the monies that had traditionally been used for the Ocean Ranger Program. It was his understanding the department no longer wanted the program. It wanted shore-based regulation taking into account that the state did not have cruise ships presently. He asked Representative Ortiz his understanding of the program.

Representative Ortiz replied that the source of the funding came from cruise ship passenger resources. The general description from the department was that they have a replacement for the Ocean Ranger Program, but he had not heard any further detail. The funds continued to pile up although there would not be an abundance of cruise ships expected in the current year.

Ms. Harpold pointed out that in FY 21 \$2 million of the Ocean Ranger fees were used for ambient water quality testing. They took advantage of not having ships around Southeast Alaska in the previous summer to get some

baseline readings of water quality. The remainder of the money sitting in the account had not been appropriated.

Representative LeBon noted Representative Josephson had mentioned the number 2400 in reference to contaminated sites. He asked if any of the sites were related to the oil industry. Representative Josephson was not certain.

Representative Wool wondered about the sites. It was his understanding that the sites did not represent large spills. Vice-Chair Ortiz reported that he had received a report from the EPA regarding how well DEC did in trying to protect state waters and keeping the oceans clean. While the report was not based on the performance of the current administration, the general report was the state was not doing a good job. There was the potential for the federal government to step in if it was not happy with the job being done by the state. The Department of Environmental Conservation performed duties in lieu of the EPA. However, the EPA could step in.

2:56:20 PM

Ms. Harpold continued to the subcommittee report for the Department of Transportation and Public Facilities (DOT). She read from the report:

The House Finance Budget Subcommittee for the Department of Transportation and Public Facilities submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (in thousands of dollars)
Unrestricted General Funds (UGF) \$152,552.4
Designated General Funds (DGF) \$47,230.2
Other Funds \$417,615.0
Federal Funds \$58,795.6
Total \$676,193.2

There is a small increase in Unrestricted General Fund use from FY 22 Adjusted Base to the FY 22 House Subcommittee budget of \$1,193.8 which equals 0.8 percent.

Positions:
Permanent Full-time 2929
Permanent Part-time 281

Temporary 145
Total 3355

Budget Action:

The House Finance Budget Subcommittee for the Department of Transportation and Public Facilities reviewed the FY 22 budget request, including amendments, and took the following actions:

The Governor submitted 45 budget action items. The House Finance Subcommittee accepted 36 of these items. The House Finance Subcommittee rejected 9 of these items. The items the House Finance Subcommittee accepted are:

- Four items related to reducing receipt authority in Administration and Support.
- Multiple items related to Facilities consolidation and structure change.
- Increasing UCR receipt authority in Administration and Support.
- Adding UGF for collective bargaining agreements.
- Three items that replace aviation fuel tax receipts with CARES Act Funds due to a project aviation fuel tax revenue shortfall.
- Three items that replace motor fuel tax receipts with CARES Act Funds due to a projected motor fuel tax revenue shortfall.
- Three items reducing aviation and motor fuel tax receipt authority in Highways and Aviation.
- Reopening of the Silvertip, Chitina and Birch Lake maintenance stations and increasing funding for Dalton District shift change.
- Using Federal funds for paint striping at rural airports.
- A cost-of-living salary adjustment in International Airports.
- Reducing maintenance on non-DOT maintained roads.

The items the House Finance Subcommittee rejected are:

- Three items related to a reduction in funding for AMHS Marine Vessel Operations as well as related transfer of AMHS receipt authority from one AMHS allocation to another.
- Six related to replacing UGF with FAA CARES Act funds for rural airport operations.

Subcommittee Amendments:

The House Finance Subcommittee adopted the following budget amendments:

- Use \$49,940.0 Federal Receipts (1265) to replace AMHS Fund (1076) within the Alaska Marine Highway appropriation. Additionally, \$1,945.1 of UGF (1004) was moved from Marine Vessel Operations to various non-AMHS DOT appropriations to replace AMHS Fund in those appropriations and that UGF amount was replaced with \$1,945.1 in Federal Receipts (1265). This brought the full amount of AMHS Fund (1076) replacement with Federal Receipts in the Department to \$51,885.1.
- Intent language: It is the intent of the Legislature that the Department of Transportation and Public Facilities increase consultation and collaboration with local municipalities, including by establishing Regional Transportation Planning Organizations, to advance the identification and planning for locally driven projects where there is both interest and capacity. The Department should outline in the State's agreements with the Federal Highway Administration criteria for determining local municipal capacity, and the process for local administration of federally funded transportation projects.

Additional Non-Operating Budget Recommendations:

The House Finance Subcommittee Chair puts forward these additional recommendations that are not part of the Operating Budget and are in regard to future appropriations the legislature may make.

1. Use \$30M CRRSAA FHWA funds to build crew quarters on the Tazlina and Hubbard. Put out to bid as soon as money is appropriated.
2. Put a significant amount of CRRSAA or ARPA funds toward the Tustumena replacement vessel and make it SOLAS compatible.
3. Allocate remaining CRRSAA FTA money toward rural transit grantee recipients.
4. Provide AMHS service to Wrangell any time service is scheduled for Petersburg.
5. Use Federal funds to get Certificate of Inspection completed for Hubbard.
6. Find money for annual maintenance of the Kuskokwim Ice Road.
7. Use FAA CARES for deferred maintenance and capital projects at rural airports.

8. Maximize flexibility for use of federal transportation dollars received by state and appropriated to local governments, including - where possible - allowing municipalities to allocate funds for operating or capital expenditures to the maximum extent.

Ms. Harpold concluded the DOT narrative.

Representative LeBon referred to the first page of the summary under designated general funds of \$47.2 million. He wondered if the figure represented gas tax receipts or something else. He wondered the source of the UGF funds. Vice-Chair Ortiz was aware that a portion was from the fuel tax funds.

Representative LeBon clarified that Representative Ortiz was talking about the fuel tax. He reported that the legislature was not able to dedicate funds to specific agencies. In the case of fuel tax, he wondered whether the legislature could designate the funds. He asked whether the state would be able to see an increase in the line item in a future budget cycle if the legislature were to pass the proposed additional \$.08 per gallon fuel tax. Vice-Chair Ortiz responded affirmatively.

Ms. Harpold pointed out that the Alaska Marine Highway System Fund was considered a designated general fund and previously made up the bulk of the fund source. Co-Chair Foster asked how much was in the AMHS Fund. Vice-Chair Ortiz thought the balance was near zero.

Co-Chair Foster indicated Representative Josephson's committees would be reported next.

3:03:04 PM

CATHERINE REARDON, STAFF, REPRESENTATIVE ANDY JOSEPHSON, would provide an abbreviated narrative for the Department of Health and Social Services (DHSS):

The House Finance Budget Subcommittee for the Department of Health and Social Services submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF) \$1,115,599.7
Designated General Funds (DGF) \$ 96,307.9
Other Funds \$ 179,389.8
Federal Funds \$2,070,415.1
Total \$3,461,712.5

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is a decrease of \$1,391.1 thousand of Unrestricted General Funds, which is .1 percent.

Positions:

Permanent Full-time 3,340
Permanent Part-time 18
Temporary 94
Total 3,452

Budget Action:

The House Finance Budget Subcommittee for the Department of Health and Social Services reviewed the Governor's FY 22 budget request including Governor's amendments. As is reflected in the reports attached to this document, the Subcommittee accepted some of the Governor's requests for amendments to the FY 22 Adjusted Base, denied other Governor requests, and made eleven of its own amendments. Highlights of Subcommittee action include:

- Restored full funding of Medicaid Services to the FY 22 budget by denying the Governor's \$35 million decrement. FY 21 carryforward language should be reviewed by the Finance Committee in light of the Subcommittee action to fully fund Medicaid in the FY 22 operating budget.
- Approved all increments supported by the Mental Health Trust. In addition to use of MHTAAR funding, which was endorsed by the Subcommittee, the Governor's budget request included use of Mental Health Trust Reserve (MHTReserve) which the Subcommittee opposed as a fund source. The Subcommittee approved items funded by MHTReserve with the expectation that the Finance Committee will replace MHTReserve with an alternative fund source as detailed in the recommendation section below.
- Denied Governor's amendments to Adjusted Base that reduced the presence of Children's Services and Juvenile Justice Staff in rural communities. The

Subcommittee took the position that delivery of those services electronically or through workers based in urban Alaska will be detrimental to the department mission.

- Addressed critical and longstanding problems with recruitment and retention of caseworkers in the Office of Children's Services by adding targeted funding for retention bonuses, behavioral health support, and tuition reimbursement for caseworkers.
- Funded Implementation of the Alaska Tribal Child Welfare Compact to improve services and outcomes for families in rural Alaska.
- Provided for safety of state employees by denying proposed decrements reducing security guard coverage at OCS offices, and through intent language regarding safety of employees at the Alaska Psychiatric Institute.
- Safeguarded public health by partially restoring cuts made in recent years to Public Health Nursing.
- Gradually reduced the number and funding of Public Assistance staff who process applications for Alaskans in need, to ensure the department has adequate resources if implementation of planned technological improvements does not proceed as quickly or smoothly as intended.
- Increased availability of Behavioral Health grants and Individual Developmental Disability waiver services.

Recommendations:

The Subcommittee makes the following recommendations to the House Finance Committee:

- Replace Mental Health Trust Reserve Funds with Alternative Funding Source. The Subcommittee strongly opposes use of Mental Health Trust Reserve (MHTReserve) in the department budget and recommends change to another fund source.
- Review Medicaid FY 21 carryforward language in light of Subcommittee action to fully fund Medicaid in the FY 22 operating budget.

Ms. Reardon reported that the House subcommittee accepted some of the governor's requests for amendments to the FY 22 adjusted base, denied others, and created a number of its own amendments. Highlights of the actions included the restoration of full funding of Medicaid services to the

FY 22 budget by denying the governor's \$35 million decrement. In the subcommittee's opinion the carry forward language in the budget should be reviewed in light of the subcommittee action.

Ms. Reardon continued that another significant action taken by the subcommittee was the denial of the governor's amendments that reduced the presence of the Office of Children's Services (OCS) and Juvenile Justice staff in rural communities. The subcommittee took the position that delivery of those services electronically or through workers based in urban Alaska would be detrimental to the department mission. Some of the items of concern were cuts to positions in Juvenile Justice in Fairbanks, Valdez, Nome, and Dillingham and office closure reductions in Valdez, King Salmon, and McGrath. The Wrangell Mayor's letter expressing distress about the impact of not having an OCS worker located in the community was influential.

Ms. Reardon reported that the committee addressed another topic of concern which was the critical and longstanding problem of recruitment and retention of case workers in OCS. The department spoke to the subcommittee about turnover which exceeded 50 percent and the impact on families and children. She also noted the inefficiencies that came with high turnover and cases moving through the hands of a series of case workers.

Mr. Reardon continued that the subcommittee decided to make a start at addressing the recruitment and retention problem by targeting funding for retention bonuses when case workers reached their twenty-fourth month of service. The subcommittee also inserted funding for behavioral health support for OCS workers to help in dealing with the stresses that accompanied their jobs. Tuition reimbursement for professional education for case workers was also a tool the subcommittee provided to address recruitment and retention. The trio of retention efforts was aimed at reducing the cost and inefficiency of the high turnover rate.

Ms. Reardon offered that another significant decision by the subcommittee was to gradually decrease the number in funding of Public Assistance staff who processed applications for Alaskans in need for various Public Assistance programs. The subcommittee decided to reduce the workers and associated supplies and postage funding more

gradually than the governor proposed. The governor proposed cutting 101 positions, whereas, the subcommittee chose to make only a third of the reductions in FY 22. The subcommittee would revisit the issue in the following year after observing technology rollouts. The subcommittee approved a cut of \$1.132 million UGF for Public Assistance staff who processed applications with the belief that they needed to make sure the division had adequate resources if the implementation of planned technologies did not proceed as quickly or as smoothly as intended. She provided an example of what could go wrong noting the delay in senior benefits. There was also the anticipation of a much-needed purge to the Medicaid rolls when the federal government stopped prohibiting the removal of Medicaid recipients, a process slated to occur the following December at the end of the Covid relief plan. The subcommittee wanted to ensure that there were enough positions and funding to staff for the anticipated purge.

Ms. Reardon continued to an action recommended by the subcommittee to increase availability of behavioral health grants and to increase the number pulled off the 80-person waitlist of Alaskans eligible for intellectual and disability waivers. It was something the Key Campaign addressed with legislators. The subcommittee increased the number of individuals that could be pulled off the waitlist in the coming year from 50 to 70. The subcommittee also adopted a variety of intent language to reflect their views on several budget issues.

Ms. Reardon continued that the subcommittee strongly opposed the use of Alaska Mental Trust Health Authority reserve funds in the department budget and recommended a fund source change. The subcommittee supported the activities, just not the funding mechanism. She reiterated that the subcommittee action to restore the \$35 million in Medicaid meant that the subcommittee was suggesting that the full finance committee review the carry forward language that achieved the same dollar amount. She concluded her report.

[3:11:51 PM](#)

Representative Wool referred to the incentive program that focused on the retention of case workers. He understood the incentive to keep case workers in place for a minimum of 24

months. He asked if a bonus program was practiced in another portion of state government.

Ms. Reardon indicated that currently there was an incentive bonus of \$1000 for case workers. The subcommittee was recommending the amount be increased to \$3000. The current incentive was part of a union agreement. The idea behind the incentive was that for the first year a case worker was in training mode and was assigned a reduced caseload. After a case worker reached a year in their position, they would be assigned a full caseload. It was in the second year that the division typically lost case workers to stress and the turnover of other co-workers. The thought was that if a case worker could make it to 24 months on the job, they might stay. She reported that \$1000 was not enough of an incentive for people to stay the duration. Hopefully, \$3000 would be a more persuasive figure.

[3:13:52 PM](#)

Co-Chair Foster referred to the carry forward language. He was looking at the pros and cons of the language. He asked if the subcommittee had recommended that the \$35 million for Medicaid would be funded with UGF. Ms. Reardon responded affirmatively.

Co-Chair Foster explained the governor had wanted to carry forward excess Medicaid funds from FY 21 to FY 22 in the amount of \$35 million. At the same time, he also recommended cutting the budget by \$35 million to offset the cost. There would be no real cut to DHSS. Ultimately by doing what the governor suggested the carry forward did not count as an addition to the FY 22 budget. However, the reduction counted as a cut to the budget. The other problem in doing what the governor suggested was that in FY 23, if the funding were to continue, it would have to be added back into the budget and would appear as an increase. It would create a cliff situation.

Ms. Reardon responded that it was the subcommittee's understanding that because the \$35 million would not be in the FY 22 appropriation, it would not go into the adjusted base for FY 23. In order to maintain the same level of spending in FY 23, an increment of \$35 million would have to be added to the budget. She reported that while the subcommittee was interested in finding ways to spend less on Medicaid while providing adequate services, a decrease

of \$35 million was not achievable for FY 23. An increment would be necessary.

Co-Chair Foster wanted people to understand the ramifications of whatever action the committee decided to take.

Representative Josephson wanted to make a couple of comments on the OCS items. He noted that the subcommittee heard 3 or 4 slides of a PowerPoint, and several top officials from the department were on record. The director of the division described in some detail what was happening within her division. She described a 51 percent turnover, personnel who were essentially damaged by their experiences. In other words, case workers were so traumatized that they were not the same people leaving as when they arrived. The subcommittee found the resources for a bonus of \$3000 without increasing the UGF budget. Since there were over 200 case workers in the division, the subcommittee wanted to see them have access to a therapist to process their experiences. Finally, there was a modest tuition reimbursement. The department had directed the division to be fully candid as to what was really going on, and the finance subcommittee responded.

[3:19:08 PM](#)

Ms. Reardon moved to the Judiciary (JUD) budget:

The House Finance Budget Subcommittee for the Judiciary submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$112,548.1
Designated General Funds (DGF) \$ 518.0
Other Funds \$ 2,246.1
Federal Funds \$ 975.6
Total \$116,287.8

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is an increase of \$480.4 thousand of Unrestricted General Funds, which is .4 percent above the FY 22 Adjusted Base budget. There is also \$40.0 increase in interagency receipts (Other State Funds),

for a total increase of \$520.4 above the FY 22 Adjusted Base budget.

Positions:

Permanent Full-time 737

Permanent Part-time 37

Temporary 5

Total 779

Budget Action:

The House Finance Budget Subcommittee for the Judiciary reviewed the FY 22 budget request submitted by the Governor on behalf of the Alaska Court System and recommends that the FY 22 Adjusted Base+ budget be approved with three amendments:

- Add 40.0 (I/A Receipts) to allow the Court System to process marriage licenses for the Department of Health and Social Services in Fairbanks. The DHSS Division of Health Analytics and Vital Records does not have an office in Fairbanks and has requested that the Fairbanks court perform duties associated with applying for a marriage license and has agreed to pay the cost for court clerks to perform these duties.
- Add 480.4 (UGF) for implementation of the recommendations of the Alaska State Legislature Task Force on Therapeutic Courts. The task force report recommended additional personnel to increase the effectiveness and efficiency of the Therapeutic Court system: one new prosecutor, one new public defender, and one person to oversee and coordinate peer support groups for Therapeutic Court participants and graduates. Although those positions will be housed in departments, funding is included in the Judiciary's Therapeutic Court Allocation.
- Add Intent Language expressing the legislature's intent that the Judiciary speedily resume calendaring jury trials. The Court System did not object to that language and is currently moving forward to resume trials. The Subcommittee did not accept two items in the FY 22 GovAM BA because those amendments to the Adjusted Base budget were found to require legislation to implement. The Subcommittee did not oppose the concept of the state and its Judiciary reducing insurance costs by self-insuring for property loss or the concept of moving the Office of Public Advocacy from the Department of Administration to the

Judiciary. However, since legislation is required to make those programmatic changes, the Subcommittee decided that fiscal notes accompanying the necessary legislation would be the appropriate method of making associated funding changes.

Ms. Reardon concluded her presentation on Judiciary's budget.

[3:22:25 PM](#)

Ms. Reardon continued to the subcommittee close-out report for the Department of Law:

The House Finance Budget Subcommittee for the Department of Law submits the following recommended operating budget for FY 22 to the House Finance Committee:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$54,704.4
Designated General Funds (DGF) \$ 2,697.8
Other Funds \$32,546.2
Federal Funds \$ 2,032.5
Total \$91,980.9

The Unrestricted General Fund difference from FY 22 Adjusted Base to the House Subcommittee budget recommendation is an increase of \$2,633.5 thousand of Unrestricted General Funds, which is 5.1 percent above the FY 22 Adjusted Base budget.

Positions:
Permanent Full-time 550
Permanent Part-time 0
Temporary 0
Total 550

Budget Action:
The House Finance Budget Subcommittee for the Department of Law reviewed the Governor's FY 22 budget request including Governor's amendments. The Subcommittee recommends that the Governor's FY 22 operating budget request be approved with the following changes:

1. The Subcommittee denied the Governor's \$1,290.1 thousand fund source change from UGF to SDPR for prosecution of misdemeanors in home rule municipalities. The Governor proposed to bill home rule municipalities for the level of misdemeanor prosecution they currently receive from the state.
2. The Subcommittee rejected the renaming of the appropriation that provides for civil legal work.
3. The Subcommittee reduced by \$200.0 thousand UGF funding for the contractual services line in the Labor and State Affairs Allocation to eliminate funding not required to maintain the department's core operations.
4. The Subcommittee eliminated the vacant Deputy Attorney General position in the Office of the Attorney General and an equivalent amount of UGF funding. This position was created by the department through its management plan and filled in 2019. The position is now vacant, and the Subcommittee voted to return to the previous management structure of two deputy attorneys general.

RECOMMENDATIONS:

The Subcommittee makes the following recommendations to the House Finance Committee:

- Budget Structure: Reinstate the FY 21 appropriation "Legal Contracts Relating to Interpretation of Janus v AFSCME Decision" and include \$20.0 thousand UGF funding.
- Supplemental Item for Prosecutor Recruitment and Housing: Change the fund source for this \$4 million FY 21 supplemental item requested by the Governor. The Subcommittee supports funding the requested activities but finds the Higher Education Fund source inappropriate to the purpose. The Subcommittee encourages the department to coordinate its rural housing project with the Alaska Housing Finance Corporation and other departments with similar needs.
- Supplemental Item for Outside Counsel to Support Statehood Defense: Deny this \$4 million FY 21 supplemental item and consider the Governor's request on the merits as a possible amendment to the FY 22 operating budget. The Subcommittee position is that the request is not necessary to address urgent FY 21 supplemental needs and is more properly considered a multi-year operating budget increment. The Subcommittee recommends that the Finance Committee determines whether FY 22 funding for Statehood Defense

should be approved in the requested amount or a lower amount or denied.

Ms. Reardon concluded the subcommittee report for the Department of Law.

Co-Chair Foster asked about the budget structure on page 2 of the report regarding the Janus v AFSCME. He wondered if it was in the budget in the prior year, was vetoed, and was being reinstated. He asked if he was correct. Ms. Reardon replied, "That is correct, Mr. Chair."

Representative Josephson explained that there were two structures created and made law by the legislature in the prior spring. One of them was in the subcommittee budget, but the subcommittee did not have the authority to restore the other item. Under one reading of the 2001 Supreme Court decision, the governor was not allowed to draw through the structure. He had heard there was a counter argument. The governor was allowed to veto an item, which was money and a purpose, but not through the structure itself.

Co-Chair Foster reviewed the agenda for the following day.

HB 69 was HEARD and HELD in committee for further consideration.

HB 71 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[3:29:35 PM](#)

The meeting was adjourned at 3:29 p.m.